92-1205

Supreme Court, U.S.
FILED
JAN 15 1993
OFFICE OF THE CLERK

NO. _____

IN THE SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1992

AUNYX CORPORATION and AUNYX BUSINESS MACHINES CORPORATION,

PETITIONERS

v.

CANON U.S.A., INCORPORATED,

RESPONDENT

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

BLAIR L. PERRY
5 Gerard Terrace
Lexington, MA 02173
(617) 542-5070

Counsel of Record
for Petitioners

QUESTIONS PRESENTED FOR REVIEW

1. Is an antitrust claim based upon Section 1 of the Sherman Act, which is asserted in a civil action in a United States District Court and is within the exclusive jurisdiction of the United States District Courts, barred by the failure of the petitioners to assert the antitrust claim in related proceedings before the International Trade Commission?

2. Is a defendant in a United States District Court civil action estopped to contend that an antitrust claim based upon Section 1 of the Sherman Act was within the jurisdiction of the International Trade Commission, where the defendant successfully had opposed amendment of the pleadings in the ITC on the ground that the antitrust claim was not within the jurisdiction of the ITC?

PARTIES AND RELATED COMPANIES

The petitioners, Aunyx Corporation and Aunyx Business Machines Corporation, have no parent companies or subsidiaries, except that Aunyx Manufacturing Corporation is a subsidiary of Aunyx Corporation.

The respondent, Canon U.S.A., Inc., is a wholly owned subsidiary of Canon, Inc., which is a Japanese corporation. The respondent has no subsidiaries known to the petitioners.

TABLE OF CONTENTS

Questions Presented for Review . . i

Parties and Related Companies . . . ii

Reports of Opinions 1

Jurisdiction 1

Statutes Involved 2

Statement of the Case 6

Reasons for Allowance of the Writ . 16

Appendix 50

Opinion of the Court of Appeals for the First Circuit (October 21, 1992) . . 51

Memorandum and Order of the District Court (June 6, 1989) 86

Memorandum and Order of the District Court (September 11, 1990) 97

Memorandum and Order of the District Court (June 4, 1991) 106

Further Order of the District Court (June 11, 1991) 109

Final Judgment of the District Court (June 27, 1991) 111

Commission Action and Order (February 22, 1988) 117

Order of the Court of Appeals for the Federal Circuit (August 2, 1988) 122

Statute (19 U.S.C. 1337) . . . 124

TABLE OF AUTHORITIES

Cases

Allen v. McCurry, 449 U.S. 90 (1980) 25

Astoria Federal Savings and Loan Assn v. Solimino, ___ U.S. ___, 115 L.Ed.2d 96 (1991) 28

Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3 (1st Cir. 1992) . .1, 15 18, 40

Beacon Theatres, Inc. v. Westover, 359 U.S. 500 (1959) 42

Beloit Corp. v. Valmet OY, 742 F.2d 1421 (Fed. Cir. 1984) 24

Blonder-Tongue Laboratories, Inc. v. Univ. of Illinois Foundation, 402 U.S. 313 (1971) . . 27

Blumenstock Bros. Advertising Agency v. Curtis Pub. Co., 252 U.S. 436 (1920) 37

Bradley v. Pittsburgh Board of Education, 913 F.2d 1064 (3d Cir. 1990) 45

Calderon Rosado v. General Electric Circuit Breakers, Inc., 805 F.2d 1085 (1st Cir. 1986) . . 46

Carnation Co. v. Pacific Westbound Conference, 383 U.S. 213 (1966) 43

Continental Ore Co. v. Union Carbide & Carbon Corp., 370 U.S. 690 (1962) 48

Copelands' Enterprises, Inc. v. CNV, Inc., 887 F.2d 1065 (Fed. Cir. 1989) 23

Dairy Queen, Inc. v. Wood, 369 U.S. 469 (1962) 43

In re Energy Cooperative, Inc., 814 F.2d 1226 (7th Cir. 1987), cert. denied 484 U.S. 928 . . 27

Freeman v. Bee Machine Co., Inc., 319 U.S. 448 (1943) 37

Frischer & Co., Inc. v. Bakelite Corp., 39 F.2d 247 (C.C.P.A. 1930), cert. denied 282 U.S. 852 31

General Investment Co. v. Lake Shore & Michigan Southern Ry. Co., 260 U.S. 261 (1922) . . . 37

Hyundai Electronics Industries Co., Ltd. v. U.S. International Trade Commission, 899 F.2d 1204 (Fed. Cir. 1990) 22

Kale v. Combined Ins. Co. of America, 924 F.2d 1161 (1st Cir. 1991), cert. denied ___ U.S. ___, 116 L.Ed.2d 44 . . . . . 25, 27

Kremer v. Chemical Construction Corp., 456 U.S. 461 (1982) . . 44

Lannom Mfg. Co., Inc. v. U.S. International Trade Commission, 799 F.2d 1572 (Fed. Cir. 1971) 23

Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373 (1985) . . 27, 28, 37, 38

McClain v. Apodaca, 793 F.2d 1031 (9th Cir. 1986) 28

Montana v. United States, 440 U.S. 147 (1979) 25

In re Orion Co., 71 F.2d 458 (C.C.P.A. 1934) 31

Patriot Cinemas, Inc. v. General Cinema Corp., 834 F.2d 208 (1st Cir. 1987) 47

Sealed Air Corp. v. U.S. International Trade Commission, 645 F.2d 976 (C.C.P.A. 1981) 20

SSIH Equipment S.A. v. U.S. International Trade Commission, 718 F.2d 365 (Fed. Cir. 1983) 22

Stevenson v. Grentec, Inc., 652 F.2d 20 (9th Cir. 1981), cert. denied 456 U.S. 943 . 17, 34, 39, 42

Stolberg v. Members of the Board of Trustees for State Colleges of Conn., 541 F.2d 890 (2d Cir. 1976), cert. denied 429 U.S. 897 26

Tandon Corp. v. U.S. International Trade Commission, 831 F.2d 1017 (Fed. Cir. 1987) 34

Textron, Inc. v. U.S. International Trade Commission, 753 F.2d 1019 (Fed. Cir. 1987) 22

Union Mfg. Co., Inc. v. Han Baek Trading Co., Ltd., 763 F.2d 42 (2d Cir. 1985) 30

United States v. Levasseur, 846 F.2d 786 (1st Cir. 1988), cert. denied 488 U.S. 894 . . 47

United States v. Topco Associates, Inc., 405 U.S. 596 (1972) . . 49

United States v. Utah Construction & Mining Co., 384 U.S. 394 (1966) 29, 44

Viscofan, S.A. v. U.S. International Trade Commission, 787 F.2d 544 (Fed. Cir. 1986) 22

Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305 (Fed. Cir. 1983) 25, 26, 36, 38

Statutes

15 U.S.C. 1 . . . . . .9, 36, 48

15 U.S.C. 15 . . . . . .9, 36

15 U.S.C. 26 . . . . . 10, 37

19 U.S.C. 1330 20

19 U.S.C. 1337 . . . 20, 21, 23, 28, 29, 32, 42

28 U.S.C. 1295(a)(6) 23

28 U.S.C. 1338(a) 30, 35

28 U.S.C. 1738 27

Miscellaneous

Restatement (Second) of Judgments:

Section 24 19

Section 26 19

Section 26(1)(a) 46

Section 26(1)(c) 38, 43

Senate Report No. 93-1298, Legislative History of Trade Act of 1974, 1974 U.S. Code Cong. & Ad. News, 93d Cong., 2d Sess. (1974) 33

Kaye, Lupo, and Lipman, The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Courts, 64 Journal of the Patent Office Society 118 (1982) 41

Supreme Court Rule 10.1(a) . . . 35, 41

REPORTS OF OPINIONS

The opinion of the U.S. Court of Appeals for the First Circuit as to which review is sought is published as Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3 (1st Cir. 1992), and appears in the December 21, 1992, volume of the F.2d advance sheets. It is reproduced in the appendix at pages 51-85.

The opinions of the U.S. District Court have not been published. They are reproduced in the appendix at pages 86-96, pages 97-105, and pages 106-108.

JURISDICTION

The judgment of the Court of Appeals was entered on October 21, 1992. No petition for rehearing was filed, and this petition for writ of certiorari is filed within 90 days from the date of judgment. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTES INVOLVED

15 U.S.C. 1:

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. . . .

15 U.S.C. 15:

(a) . . . any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. . . .

15 U.S.C. 26:

Any person, firm, corporation, or association shall be entitled to sue for and have injunctive relief, in any court of the United States having jurisdiction over the parties, against threatened loss or damage by a violation of the antitrust laws. . . .

28 U.S.C. 1331:

The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

28 U.S.C. 1337:

(a) The district courts shall have original jurisdiction of any civil action or proceeding arising under any Act of Congress regulating commerce or protecting trade and commerce against restraints and monopolies. . . .

28 U.S.C. 1338:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws. . . .

28 U.S.C. 1295:

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction --

. . . (6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337); . . . .

19 U.S.C. 1330:

(a) The United States International Trade Commission (referred to in this subtitle as the "Commission") shall be composed of six commissioners who shall be appointed by the President, by and with the advice and consent of the Senate. . . .

19 U.S.C. 1337 (prior to 1988 amendment):

(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is

to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section. . . .

(The full text of 19 U.S.C. 1337, as it existed in 1985, is set forth in the appendix below at pages 124-138.)

STATEMENT OF THE CASE

The petitioners, Aunyx Corporation and Aunyx Business Machines Corporation (collectively "Aunyx"), were corporations based in Hingham, Massachusetts, which distributed and serviced photocopy machines purchased from the respondent, Canon U.S.A., Inc.

("Canon") in the area around Boston, Massachusetts, and distributed throughout the United States supplies for use in photocopy machines made by Canon and other manufacturers.

Aunyx was one of more than 500 independent dealers authorized to sell and service Canon photocopiers in the United States.

Canon was the United States distributor for photocopy machines made by or for its Japanese parent company, Canon, Inc. ("Canon Japan").

A popular line of Canon photocopy machines ("NP copiers") required the use of a toner called "NP Toner" to produce images on blank paper. "Toner" is the colored (usually black) powder which is printed onto the paper to make the desired copy, and large amounts of toner are consumed by NP copiers.

NP Toner is the only toner which works in Canon's NP copiers, and has no use other than use in Canon's NP copiers. Canon was the only source of NP Toner. For a time a company affiliated with Aunyx, called Aunyx Manufacturing Corporation, made some NP Toner for intended use in Canon copiers, but Aunyx was unable to sell any significant quantities of the product. NP Toner made by a few other manufacturers also failed to find acceptance in the market, leaving Canon as the only source of NP Toner. (Aunyx contended that Canon had engaged in various unfair trade practices to discourage potential customers from buying Aunyx-made NP Toner.)

Having failed in its efforts to sell NP Toner made by its affiliated toner-manufacturing company, in 1985 Aunyx set out to

expand its sales of "genuine" NP Toner, purchased from Canon, by increasing its marketing efforts and offering the product at lower prices than those charged by other Canon dealers.

Canon promptly imposed restrictions upon the quantities of NP Toner which Aunyx was allowed to purchase, thus effectively destroying Aunyx's plans to distribute the product in quantity on a nationwide basis.

Aunyx contends that Canon imposed the restrictions as the result of a "horizontal" conspiracy with Canon dealers to allocate among dealers the territories in which various dealers were permitted to sell NP Toner. This would be a "per se" violation of Section 1 of the Sherman Act, 15 U.S.C. 1, for reasons explained below, for which Aunyx would be entitled to an award of treble damages under the provisions of 15

U.S.C. 15 and to injunctive relief under the provisions of 15 U.S.C. 26.

On July 15, 1986, Aunyx, being sorely aggrieved by (1) the activities of Canon which had interfered with the sale of NP Toner made by Aunyx Manufacturing Corporation and by (2) Canon's imposition of restrictions on Aunyx's purchases of "genuine" NP Toner from Canon, commenced two proceedings to obtain relief.

One proceeding was commenced before the International Trade Commission ("ITC"), a government agency which is concerned with unfair trade practices in the import trade. The pleadings filed with the ITC contained no allegation of the horizontal conspiracy to allocate territories among Canon dealers.

The other proceeding commenced on July 15, 1986, was a civil action in the United States District Court for the District of Massachusetts. Count VIII of an

amended complaint filed in that action asserted the horizontal conspiracy antitrust claim. Aunyx claimed a trial by jury.

Canon and Canon Japan were named as defendants in the District Court action. The pleadings later were amended to drop Canon Japan as a defendant and to add Aunyx Business Machines Corporation as a plaintiff along with Aunyx Corporation.

Canon never objected to Aunyx's maintenance of simultaneous proceedings before the ITC and in the District Court.

After a period of discovery, the complaint filed in the ITC was the subject of evidentiary hearings before an administrative law judge ("ALJ"). Before the hearings commenced, Aunyx and staff counsel for the ITC had moved for leave to amend their pleadings to allege the horizontal conspiracy. Canon objected that the horizontal

conspiracy claim was not within the jurisdiction of the ITC and also that it was asserted too late. The request to amend the pleadings was denied by the ALJ as untimely.

Thus the ALJ did not receive evidence on the horizontal conspiracy claim nor purport to rule upon it. He did find that Canon's conduct when tested by the "rule of reason" was not unreasonable, but he made no finding or ruling with respect to the per se antitrust claim.

The ALJ found against Aunyx on most of its claims. He did find that Canon had been guilty of unfair disparagement of NP Toner made by other companies, but on that issue the ITC reversed his decision.

Aunyx claimed an appeal to the United States Court of Appeals for the Federal Circuit (which has appellate jurisdiction over certain decisions of the ITC), but then moved to withdraw the appeal in order to

pursue the antitrust action still pending in the District Court in Massachusetts. The appeal of the ITC decision was dismissed on August 2, 1988 (see appendix below at page 122).

The action in the District Court now was revived. Canon now asserted that all of the claims made by Aunyx in the District Court were barred by res judicata principles -- including the horizontal conspiracy claim, which Canon now argued could have been asserted before the ITC, although Canon previously had argued to the ALJ that the claim was not within the jurisdiction of the ITC. (It was not, as we will show below.)

The District Court granted summary judgment for Canon on eight of the ten counts of the amended complaint, and later on most of another count, but three times refused to grant summary judgment on Count VIII, the horizontal conspiracy claim. The

District Court observed that Aunyx had not been permitted to offer proof of that claim before the ITC. See appendix below at page 95.

Trial on the horizontal conspiracy claim was held in in the District Court in March of 1991. After six days of jury trial, the District Court judge directed a verdict for Canon, on the theory that the plaintiffs had failed to prove "antitrust injury," a concept which the learned District Court judge apparently failed to comprehend.

The remaining count of the amended complaint was dismissed (see appendix below at page 109) and a final judgment was entered (appendix at page 111), from which Aunyx appealed to the United States Court of Appeals for the First Circuit.

The appeal was argued on January 9, 1992. On October 21, 1992, the Court of

Appeals decided that the judgment on the antitrust claim should be affirmed because the District Court should have dismissed the antitrust claim for failure to assert the claim before the ITC. Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3, 8 (1st Cir. 1992). The Court of Appeals declined to consider the issue of whether or not the District Court had erred in directing a verdict on the merits of the antitrust claim. 978 F.2d at 8.

This rather unusual disposition of the appeal was erroneous as a matter of law for the reasons which will be set forth in the next section of this petition.

The United States District Court for the District of Massachusetts had jurisdiction over the civil action under the provisions of 28 U.S.C. 1331 (federal question), 28 U.S.C. 1332(a)(2) (diversity of citizenship), and 28 U.S.C. 1337(a) (antitrust

laws). The United States Court of Appeals for the First Circuit had jurisdiction of the appeal under the provisions of 28 U.S.C. 1291 (final decision of the District Court).

REASONS FOR ALLOWANCE OF THE WRIT

A writ of certiorari should issue to the United States Court of Appeals for the First Circuit in this matter because:

(1) This case presents an issue of continuing importance with respect to the res judicata effect to be given to decisions of the International Trade Commission on claims which are within the exclusive jurisdiction of the United States District Courts (such as patent infringement claims and antitrust claims). This issue of federal law has not been, but should be, settled by this Court.

(2) The decision of the Court of Appeals for the First Circuit in this case

(giving res judicata effect to a decision of the ITC on a claim within the exclusive jurisdiction of the District Courts) conflicts directly and in principle with the decision of the Court of Appeals for the Ninth Circuit in Stevenson v. Grentec, Inc., 652 F.2d 20 (9th Cir. 1981), cert. denied 456 U.S. 943 (denying res judicata effect to a decision in a proceeding before the ITC on a claim within the exclusive jurisdiction of the District Courts).

(3) A substantial injustice has been done to the petitioners because of the inconsistent positions taken by the respondent before the ITC and before the District Court on the issue of the jurisdiction of the ITC.

I. THE PETITIONERS' ANTITRUST CLAIM BASED UPON SECTION 1 OF THE SHERMAN ACT WAS WITHIN THE EXCLUSIVE JURISDICTION OF THE DISTRICT COURTS AND THEREFORE SHOULD NOT BE BARRED BY FAILURE OF THE PETITIONERS TO ASSERT THE CLAIM IN RELATED PROCEEDINGS BEFORE THE INTERNATIONAL TRADE COMMISSION.

The Court of Appeals affirmed the District Court's dismissal of the antitrust claim alleging a horizontal conspiracy of Canon and its dealers (Count VIII of the amended complaint in the District Court) on the ground that this claim was "barred, as a matter of law, by res judicata" because Aunyx had failed to assert the claim in the ITC. Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3, 8 (1st Cir. 1992). The Court of Appeals said that "The record reflects that Aunyx knew enough about the facts of this

case to have been able to assert its horizontal conspiracy claim at the outset before the ITC," 978 F.2d at 8, and that it was "immaterial" that Aunyx was not permitted to do so because its application to amend the complaint in the ITC came too late. 978 F.2d at 8.

In other words, the Court of Appeals held that the antitrust claim was barred by the doctrine of "claim splitting." See Restatement (Second) of Judgments, section 24.

This decision was in error. The Court of Appeals overlooked or ignored the "Exceptions to the General Rule Concerning Splitting" which are set forth in the Restatement (Second) of Judgments, section 26, and which are generally recognized and applied by the federal courts.

International Trade Commission

The International Trade Commission ("ITC") is an administrative agency composed of six commissioners appointed by the President for nine-year terms. 19 U.S.C. 1330. The ITC is "entirely the creature of statute" and its authority is limited to that conferred by the terms of the delegating statute. Sealed Air Corp. v. U.S. International Trade Commission, 645 F.2d 976, 993 (C.C.P.A. 1981). The ITC was called the "United States Tariff Commission" before it was renamed by the Trade Act of 1974.

At the time when Aunyx filed its complaint with the ITC in 1986, the principal function of the ITC was to participate in the enforcement of the provisions of 19 U.S.C. 1337, which declared unlawful "Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the

owner . . . , the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States. . . ." 19 U.S.C. 1337(a).

The ITC was authorized to investigate alleged violations of section 1337, 19 U.S.C. 1337(b)(1), to conduct hearings with respect to its investigations, 19 U.S.C. 1337(c), and if a violation were found, to direct that the articles concerned be excluded from entry into the United States. 19 U.S.C. 1337(d). The commission also was authorized to issue "cease and desist" orders directed to violators. 19 U.S.C. 1337(f)(1). Its determinations under section 1337 were subject to Presidential nullification. 19 U.S.C. 1337(g).

Among the "unfair methods of competition and unfair acts in the importation of articles into the United States" for which the ITC issued "exclusion orders" were infringement of United States patents by the articles in issue, misappropriation of trade secrets used to manufacture the articles, and deceptive advertising of the goods. See, for example, Hyundai Electronics Industries Co., Ltd. v. U.S. International Trade Commission, 899 F.2d 1204, 1205 (Fed. Cir. 1990) (patent infringement); SSIH Equipment, S.A. v. U.S. International Trade Commission, 718 F.2d 365, 367 (Fed. Cir. 1983) (patent infringement); Viscofan, S.A. v. U.S. International Trade Commission, 787 F.2d 544 (Fed. Cir. 1986) (misappropriation of trade secrets); Textron, Inc. v. U.S. International Trade Commission, 753 F.2d 1019 (Fed. Cir. 1987) (deceptive advertising and infringement of registered trademarks).

A detailed history of section 1337 and its predecessor statutory provisions may be found in Lannom Mfg. Co., Inc. v. U.S. International Trade Commission, 799 F.2d 1572, 1576 (Fed. Cir. 1986).

The United States Court of Appeals for the Federal Circuit, which was created in 1982, succeeded to the jurisdiction of the United States Court of Customs and Patent Appeals, Copelands' Enterprises, Inc. v. CNV, Inc., 887 F.2d 1065, 1067 (Fed. Cir. 1989), and was granted exclusive jurisdiction "to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337)." 28 U.S.C. 1295(a)(6).

However, the Court of Appeals for the Federal Circuit "does not sit to review what the Commission has not decided" and cannot

review issues not decided by the ITC. Beloit Corp. v. Valmet OY, 742 F.2d 1421, 1423 (Fed. Cir. 1984).

Res Judicata

"The federal courts have traditionally adhered to the related doctrines of res judicata and collateral estoppel. Under res judicata, a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action. . . . Under collateral estoppel, once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude relitigation of the issue in a suit on a different cause of

action involving a party to the first case."

Allen v. McCurry, 449 U.S. 90, 94 (1980). See to the same effect, Montana v. United States, 440 U.S. 147, 153 (1979).

The concepts of res judicata and collateral estoppel sometimes are described as "claim preclusion" and "issue preclusion" respectively. Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1314 (Fed. Cir. 1983).

The doctrine of res judicata may be applied to bar a claim which could have been asserted in a first action but was not asserted there. The general rule, which is subject to a number of exceptions discussed below, is that the plaintiff must assert all related claims which are within the subject matter jurisdiction of the first forum in his first action "to avoid the onus of claim-splitting." Kale v. Combined Ins. Co.

of America, 924 F.2d 1161, 1165 (1st Cir. 1991), cert. denied ___ U.S. ___, 116 L.Ed.2d 44.

The doctrine of collateral estoppel, on the other hand, applies only to issues actually tried and determined in a first proceeding. Stolberg v. Members of the Board of Trustees for State Colleges of Conn., 541 F.2d 890, 892 (2d Cir. 1976), cert. denied 429 U.S. 897; Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1314 (Fed. Cir. 1983) ("A critical difference between these concepts is that issue preclusion operates only as to issues actually litigated, whereas claim preclusion may operate between the parties simply by virtue of the final judgment.") Subsequent affirmance by an appellate court adds nothing to application of collateral estoppel principles. Stolberg, 541 F.2d at 893.

Federal Law Applies

The preclusive effect of a state court judgment upon a subsequent action generally is determined by the full faith and credit statute, 28 U.S.C. 1738, which requires that the judgment be given the same effect which it would be given in the courts of that state. Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 379-380 (1985).

The preclusive effect of a decision of a federal court or federal agency is determined by federal law. Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313, 324 n. 12 (1971); Kale v. Combined Ins. Co. of America, 924 F.2d 1161, 1164 (1st Cir. 1991), cert. denied ___ U.S. ___, 116 L.Ed.2d 44; In re Energy Cooperative, Inc., 814 F.2d 1226, 1230 (7th Cir. 1987), cert. denied 484 U.S.

928; McClain v. Apodaca, 793 F.2d 1031, 1033 (9th Cir. 1986).

Intent of Congress Controls

The question of whether a decision of the ITC in a proceeding brought under the provisions of 19 U.S.C. 1337 should be given res judicata effect in a civil action in a United States District Court, so as to bar a claim which is within the exclusive jurisdiction of the District Court, depends upon the intention of the Congress in granting authorization to the ITC to determine issues presented by section 1337. Astoria Federal Savings and Loan Assn. v. Solimino, ___ U.S. ___, 115 L.Ed.2d 96, 104 (1991) ("In this context the question is not whether administrative estoppel is wise but whether it is intended by the legislature."); Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 386 (1985) ("Our previous

decisions indicate that the primary consideration must be the intent of Congress.").

II. CONGRESS INTENDED THAT DECISIONS OF THE ITC WOULD NOT HAVE PRECLUSIVE EFFECT ON CLAIMS WITHIN THE EXCLUSIVE JURISDICTION OF THE DISTRICT COURTS.

When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact within its jurisdictional limits which the parties have had a full and fair opportunity to try, the courts have not hesitated to apply the doctrine of res judicata to the agency decision. United States v. Utah Construction & Mining Co., 384 U.S. 394, 422 (1966).

Thus decisions of the ITC in section 1337 proceedings may be afforded res judicata effects with respect to claims which are not within the exclusive jurisdiction of

the United States District Courts, such as trademark infringement claims (28 U.S.C. 1338(a)). See, for example, Union Mfg. Co., Inc. v. Han Baek Trading Co., Ltd., 763 F.2d 42, 45 (2d Cir. 1985), giving res judicata effect to an ITC decision in a trademark matter, but noting that:

> "Patent validity determinations of the ITC are properly not accorded res judicata effect because the ITC has no jurisdiction to determine patent validity except to the limited extent necessary to decide a case otherwise properly before it. . . . Congress has granted the district courts exclusive original jurisdiction over patent validity cases."

Before the creation of the ITC by the Trade Act of 1974, it had been established by decisions of the Court of Customs and

Patent Appeals (predecessor to the Court of Appeals for the Federal Circuit) that decisions by the United States Tariff Commission (predecessor to the ITC) on the validity of patents could not have res judicata effects. In the case of In re Orion Co., 71 F.2d 458, 464 (C.C.P.A. 1934), the court quoted with approval from its earlier opinion in Frischer & Co., Inc. v. Bakelite Corp., 39 F.2d 247, 258 (C.C.P.A. 1930), cert. denied 282 U.S. 852:

> "It would hardly be contended that a finding by the commission that a certain patent was or was not valid would be considered as res judicata. It may well be doubted whether the Congress could confer any such jurisdiction upon this administrative commission -- certainly, it has not done so."

The court pointed out that decisions as to the validity of patents were understood to be "cases and controversies" within the meaning of the Constitution, 71 F.2d at 464, and observed that "The obvious intent of said section 337 (19 USCA sec. 1337) was not to confer upon the United States Tariff Commission, or upon this court, the power to determine conflicting property rights" with respect to patents.

The legislative history of the Trade Act of 1974, which created ITC, demonstrates with clarity that Congress did not intend that decisions of the ITC in section 1337 proceedings should have preclusive (res judicata) effects with respect to claims within the exclusive jurisdiction of the District Courts. The Senate Report on the bill could not be clearer:

> "7. Res judicata, collateral estoppel. -- Under the Committee

bill, decisions by the U.S. Court of Customs and Patent Appeals reviewing Commission decisions under section 337 should not serve as res judicata or collateral estoppel in matters where U.S. District Courts have original jurisdiction." Legislative History, P.L. 93-618, Senate Report No. 93-1298, 93d Cong., 2d Sess. (1974), 1974 U.S. Code Cong. & Ad. News at 7212.

Further, at page 7329 of the same legislative history:

"The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action

> by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts."

After establishment of the ITC under the Trade Act of 1974, the Court of Appeals for the Federal Circuit has noted the language just quoted and observed that "Thus, our appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals." Tandon Corp. v. U.S. International Trade Commission, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (issue of patent infringement).

In Stevenson v. Grentec, Inc., 652 F.2d 20, 22-23 (9th Cir. 1981), cert. denied 456 U.S. 943, the Court of Appeals for the Ninth Circuit held that a finding of patent validity made by the Court of Customs and Patent Appeals in the course of review of an ITC

proceeding under section 1337 was "not binding on this Court." As will be explained below, the Stevenson decision by the Court of Appeals for the Ninth Circuit is in direct conflict with the decision the Court of Appeals for the First Circuit in the present case. Under Rule 10.1(a) of the Supreme Court, this is a special and important reason for granting the writ.

Because the District Courts have exclusive original jurisdiction of patent cases, 28 U.S.C. 1338(a), a prior decision of patent invalidity by a District Court may bar an infringement claim later asserted before the ITC in a section 1337 proceeding. Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1316 (Fed. Cir. 1983), but the decision of the ITC, whether or not affirmed by an appellate court, cannot have preclusive effects upon an action in a District Court.

The same reasoning is applicable to a claim based upon the antitrust laws of the United States.

III. THE DISTRICT COURTS HAVE EXCLUSIVE JURISDICTION OF ANTITRUST CLAIMS.

Just as the United States District Courts have exclusive jurisdiction with respect to patent claims, they have exclusive jurisdiction over claims based upon violations of the antitrust laws, including any claim based upon section 1 of the Sherman Act, 15 U.S.C. 1.

Persons injured in their business or property by reason of anything forbidden in the antitrust laws may sue to recover damages "in any district court of the United States in the district in which the defendant resides or is found or has an agent," 15 U.S.C. 15(a), and may seek injunctive

relief against threatened loss or damage "in any court of the United States having jurisdiction over the parties," 15 U.S.C. 26.

Although the federal statutes do not in terms grant exclusive jurisdiction over antitrust claims to the District Courts, the statutory provisions noted above have long been construed as granting exclusive jurisdiction to the District Courts. Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 379-380 (1985); Freeman v. Bee Machine Co., Inc., 319 U.S. 448, 451 n. 6 (1943); General Investment Co. v. Lake Shore & Michigan Southern Ry. Co., 260 U.S. 261, 287 (1922); Blumenstock Bros. Advertising Agency v. Curtis Publishing Co., 252 U.S. 436, 440 (1920).

Because the horizontal conspiracy antitrust claim asserted by Aunyx as Count VIII of its amended complaint in the District Court was within the exclusive jurisdiction

of the District Court, the ITC had no jurisdiction to decide that claim, and no preclusive effect should be attributed to Aunyx's failure to assert that claim in the ITC proceedings. Marrese v. American Academy of Orthopaedic Surgeons, 470 U.S. 373, 382 (1985); Young Engineers, Inc. v. U.S. International Trade Commission, 721 F.2d 1305, 1314-1315 (Fed. Cir. 1983); Restatement (Second) of Judgments, sec. 26(1)(c), noted with approval in both Marrese and Young Engineers.

IV. THERE IS A DIRECT CONFLICT BETWEEN THE DECISION OF THE COURT OF APPEALS FOR THE NINTH CIRCUIT IN THE STEVENSON CASE AND THE DECISION OF THE COURT OF APPEALS FOR THE FIRST CIRCUIT IN THIS CASE.

In Stevenson v. Grentec, Inc., 652 F.2d 20, 22-23 (9th Cir. 1981), cert. denied 456 U.S. 943, the plaintiff, Stevenson, had received a patent on an improved form of skateboard. He filed a petition with the ITC to exclude from importation infringing skateboards made by others. The ITC found his patent invalid as obvious, but the Court of Customs and Patent Appeals reversed, and ruled it valid. Stevenson also commenced an action for patent infringement in the United States District Court for the Central District of California, which found the patent invalid as obvious. The Court of Appeals

affirmed judgment for the defendants despite the decision of the CCPA:

> "Although the Court of Customs and Patent Appeals (CCPA) found the patent valid, we nonetheless affirm the district court's ruling. To be sure, the decisions of the Court of Customs and Patent Appeals should be given great weight and treated with respect; they are not, however, binding on this Court." 652 F.2d at 22-23.

In the present case, the Court of Appeals for the First Circuit ruled that Aunyx's antitrust claim is barred because of failure to assert it before the ITC. Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3, 8 (1st Cir. 1992).

The Stevenson case involved an issue of patent validity and the Aunyx case involves an issue of antitrust law, but both issues

are within the exclusive jurisdiction of the district courts, and it is not possible to reconcile the decisions. The Supreme Court therefore should grant the writ of certiorari to resolve the conflict between the two circuits. See Supreme Court Rule 10.1(a).

This conflict between the circuits was anticipated more than a decade ago by the authors of a perceptive article in the Journal of the Patent Office Society, who noted that the Court of Appeals for the Ninth Circuit had ruled in a manner consistent with the legislative history of section 1337 in the Stevenson case, but that it was uncertain whether the CCPA would concur. "Until such time as both Article III courts have commented on this question, the res judicata issue will continue to be uncertain." Kaye, Lupo and Lipman, The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District

Courts, 64 Journal of the Patent Office Society, 118, 133 (1982).

V. THERE ARE OTHER IMPORTANT REASONS FOR GRANTING THE WRIT OF CERTIORARI.

In addition to the fact that the decision of the Court of Appeals for the First Circuit flies in the face of the legislative history of 19 U.S.C. 1337 and directly conflicts with the decision of the Court of Appeals for the Ninth Circuit in Stevenson, there are other important reasons for granting the writ.

The decision below deprives the petitioners of their right to a jury trial, which is "an essential part of the congressional plan for making competition rather than monopoly the rule of trade." Beacon Theatres, Inc. v. Westover, 359 U.S. 500,

504 (1959); Dairy Queen, Inc. v. Wood, 369 U.S. 469, 472-473 (1962).

The decision below deprives the petitioners of their right to recover treble damages under the antitrust laws, a remedy which never was available to the petitioners in the ITC proceedings. Res judicata should not apply where "The plaintiff was unable to . . . seek a certain remedy or form of relief in the first action because of the limitations on the subject matter jurisdiction of the court or restrictions on their authority to entertain . . . demands for multiple remedies or forms of relief in a single action, and the plaintiff desires in the second action to . . . seek that remedy or form of relief. . . ." Restatement (Second) of Judgments, section 26(1)(c). See Carnation Co. v. Pacific Westbound Conference, 383 U.S. 213, 224 (1966) ("The rights which petitioner claims under the antitrust

laws are entirely collateral to those which petitioner might have sought under the Shipping Act.").

Because the Court of Appeals ruled below that the petitioners had engaged in "claim-splitting" by failing to assert their Sherman Act antitrust claim in the ITC (which had no jurisdiction to hear that claim), the petitioners have been deprived of the opportunity for a "full and fair" opportunity to litigate the claim. Kremer v. Chemical Construction Corp., 456 U.S. 461, 480-481 (1982) ("We have previously recognized that the judicially created doctrine of collateral estoppel does not apply when the party against whom the earlier decision is asserted did not have a 'full and fair opportunity' to litigate the claim or issue.") Compare United States v. Utah Construction & Mining Co., 384 U.S. 394, 422 (1966).

VI. THE RESPONDENT CONSENTED TO THE MAINTENANCE OF TWO SIMULTANEOUS PROCEEDINGS.

Even if it be assumed that the petitioners could have asserted their antitrust claim before the ITC and failed to do so, the doctrine of res judicata should not be applied to bar the antitrust claim, because the respondent consented to the maintenance of simultaneous proceedings before the ITC and before the District Court.

The doctrine of "claim-splitting" is intended to protect a defendant against unnecessary multiple actions for the same matter, and if the defendant does not object to multiple actions, he must be deemed to have consented to splitting the claim. Bradley v. Pittsburgh of Education, 913 F.2d 1064, 1073 (3d Cir. 1990) (defendants did not object to plaintiff's reservation of his

federal claim for litigation in the federal court); Calderon Rosado v. General Electric Circuit Breakers, Inc., 805 F.2d 1085, 1087 (1st Cir. 1986) (". . . a recognized exception to the general rule prohibiting claim splitting is that if the parties agree, or a defendant implicitly assents to a plaintiff splitting his claim, then a judgment in an earlier action which normally would bar the subsequent action will not. . . . And a defendant consents or acquiesces when he fails timely to object."); Restatement (Second) of Judgments, section 26(1)(a).

VII. THE RESPONDENT SHOULD BE ESTOPPED TO CONTEND THAT THE PETITIONERS' ANTITRUST CLAIM WAS WITHIN THE JURISDICTION OF THE ITC.

When the petitioners and staff counsel moved for leave to amend the pleadings in the ITC to assert an additional claim of

horizontal conspiracy, the respondent objected on the grounds that the antitrust claim was not within the jurisdiction of the ITC. Their objection to amendment was upheld by the Administrative Law Judge.

Having asserted that the antitrust claim was not within the jurisdiction of the ITC, and having prevailed on its objections, the respondent should be held estopped to later assert that the antitrust claim is barred by failure to assert it before the ITC. United States v. Levasseur, 846 F.2d 786, 799 (1st Cir. 1988), cert. denied 488 U.S. 894; Patriot Cinemas, Inc. v. General Cinema Corp., 834 F.2d 208, 214 (1st Cir. 1987).

VIII. THE PETITIONERS ARE LIKELY TO PREVAIL IN THE COURT OF APPEALS ON THE MERITS OF THEIR ANTITRUST CLAIM.

The respondent may contend in opposing the granting of the writ that as a matter of antitrust law, the District Court correctly directed entry of judgment for the respondent after directing a verdict for the respondent.

This petition is not the appropriate vehicle to argue the merits of the antitrust claim. It is perhaps sufficient to observe that there is respectable and unquestioned authority for the proposition that the conspiracy between the respondent and its dealers to allocate among dealers the territories in which individual dealers were permitted to sell Canon NP Toner was a per se violation of section 1 of the Sherman Act, 15 U.S.C. 1. Continental Ore Co. v. Union

Carbide & Carbon Corp., 370 U.S. 690, 708 (1962); United States v. Topco Associates, Inc., 405 U.S. 596, 608 (1972). In any case, the importance of granting the writ in order to resolve the issues described above is in no way diminished by the possibility that the Court of Appeals might rule against the petitioners on grounds not considered in the opinion as to which review is sought here.

CONCLUSION

For the reasons set forth above, a writ of certiorari should issue to the United States Court of Appeals for the First Circuit in this matter.

Respectfully submitted,

Blair L. Perry
5 Gerard Terrace
Lexington, MA 02173
(617) 542-5070

Counsel of Record for
Petitioners

APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

No. 91-1758

AUNYX CORPORATION, ET AL.,
Plaintiffs, Appellants,

v.

CANON U.S.A., INCORPORATED,
Defendant, Appellee.

APPEAL FROM THE UNITED STATES DISTRICT
COURT FOR THE DISTRICT OF MASSACHUSETTS

[Hon. Rya W. Zobel, U.S. District Judge]

Before

Cyr, Circuit Judge,
Campbell and Bownes, Senior Circuit Judges.

Blair L. Perry for appellant.
Richard L. Bond with whom Norman Moloshok, Richard H. Silberberg, Robert G. Manson, Dorsey & Whitney, John J. Curtin, Jr., William N. Berkowitz and Bingham, Dana & Gould were on brief for appellee.

October 21, 1992

CAMPBELL, Senior Circuit Judge. The United States District Court for the District of Massachusetts entered a final judgment in favor of appellee Canon U.S.A., Inc., in a civil antitrust action brought by appellants Aunyx Corporation and Aunyx Business Machines Corporation. Appellants appeal from the judgment as to two of their claims. Because previous proceedings before the International Trade Commission were res judicata in respect to the antitrust claim and because no triable issues remained as to the breach of contract claim, we affirm.

I. BACKGROUND

A. Facts

Aunyx Corporation ("Aunyx Corp.") and Aunyx Business Machines Corporation ("ABM") (collectively "Aunyx") are Massachusetts

corporations located in Hingham, Massachusetts. Robert J. Langone("Langone") is the president and sole shareholder of both corporations. Appellee Canon U.S.A., Inc. ("Canon"), is a New York corporation and a wholly owned subsidiary of Canon, Inc., a Japanese corporation. Only Canon U.S.A. is a party to this appeal.

Among other products, Canon markets a line of photocopy machines known as "New Process" ("NP copiers"). These NP copiers employ a dry black powder made from resins and other coloring agents called "NP Toner" to print copies of documents onto paper. NP Toner is manufactured by Canon. All NP copiers need toner to make copies and for all practical purposes NP copiers can only use NP Toner. While other companies have attempted to make toner suitable for use in NP copiers, they have not successfully marketed any significant amount.

NP Toner is marketed in the United States by Canon through a nationwide network of approximately 500 independent, authorized dealers that sell copiers and toner, and are responsible for repairing and servicing the former.[1] Three of the dealers were owned by Canon, while the others were independent.

In 1977, Canon organized the Copier Dealer Advisory Council ("DAC"). This council consisted of several varying sized and geographically diverse dealers that periodically met with Canon representatives to discuss matters of mutual interest.

---

[1] The copiers industry is a service intensive industry. NP copies would last indefinitely if properly serviced and maintained.

Before 1979, Canon used a form of dealership agreement known as a "Manufacturer/Dealer agreement" pursuant to which Canon appoints dealers as nonexclusive dealers of various Canon products. This Manufacturer/Dealer agreement was subject to cancellation upon ninety days notice and did not make any provision relating to the sale of NP Toner or restricting dealers to selling into specific territories. ABM had signed such an agreement with Canon in 1979 ("the 1979 Agreement").

In 1983, Canon introduced a new form of dealership agreement ("the 1983 Agreement") which assigned dealers of NP copiers and NP Toner to specific territories and provided that each dealer could not market products outside its assigned territory. The alleged purpose of the 1983 Agreement was to prevent a practice known as "skating" which basically involved selling products outside the dealer's primary marketing

area. Canon sent Aunyx a copy of the 1983 Agreement for its signature but Aunyx did not sign it.

In the summer of 1985, Aunyx embarked upon a program of selling large amounts of NP Toner, purchased from Canon, to end users throughout the United States. On October 15, 1985, the Vice-President of Canon Copier Division sent a letter to the President of Aunyx, Mr. Langone, advising him that Canon was aware that Aunyx had been purchasing NP Toner from Canon in quantities far in excess of what would be required to maintain the NP copiers it had purchased, and that Aunyx had been selling Canon NP Toner "outside its primary sales area and on a national basis, in violation of Canon's well-known established policy." The letter informed Aunyx that as of October 16, 1985, Canon would limit the amount of NP Toner that Aunyx could buy to no more than 250 cases per month.

B. **Proceedings Below**

On July 15, 1986, Aunyx filed its original complaint in the United States District Court for the District of Massachusetts charging Canon with a myriad of violations. See infra note 3. An amended complaint was filed on June 12, 1987. The original plaintiff was Aunyx Corp., and the original defendants were Canon, Inc., and Canon U.S.A. ABM was added as a plaintiff on the motion of Aunyx Corp. filed on June 12, 1987, and allowed on December 17, 1987.

A further ten-count[2] amended complaint was filed on April 14, 1988 ("the Second Amended Complaint"). The Second Amended

---

[2] The complaint contained the following claims:

> Count 1: Monopolization and Attempted Monopolization; Count 2: Exclusive Dealing; Count 3: Violation of the Massachusetts Antitrust Laws; Count 4: Unfair methods of Competition under Massachusetts Law; Count 5: Interference with Contractual Relations; Count 6: Interference with Business Relations; Count 7: Disparagement; Count 8: Horizontal Market Division Among Canon Dealers in Violation of § 1 of the Sherman Act; Count 9: Unlawful Price Discrimination; and Count 10: Breach of Contract.

Complaint dropped Canon, Inc., as a party defendant, leaving as defendant only Canon U.S.A.

On the same day it filed its original complaint, July 15, 1986, Aunyx commenced proceedings before the International Trade Commission ("ITC") in Washington, D.C., against Canon U.S.A. and Canon, Inc., under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337.[3] The district court action

---

[3] As written at the time of the commencement of this case, this section provided in relevant part:

> Unfair methods of competition and unfair acts in the importation of articles into the United States, . . . the effect or tendency of which is . . . to restrain or monopolize trade and commerce in the United States, are declared unlaw-

was put "on hold" awaiting the decision of the ITC.

In the ITC proceedings, Aunyx engaged in extensive discovery which included substantial document production, more than a hundred written interrogatories, and the oral depositions of 33 individuals over a period of 70 days. The entire prehearing discovery lasted almost one year.

Roughly eight months after its original filing before the ITC, on March 17, 1987, Aunyx moved to amend its ITC Complaint to add a claim that Canon and its retail dealers had entered into a horizontal conspiracy to divide the United States market for NP toner among the dealers in violation of section 1 of the Sherman Act, 15 U.S.C. § 1. In an order

---

ful. . . .

19 U.S.C. § 1337(a) (1980).

entered April 15, 1987, an Administrative Law Judge ("ALJ") denied Aunyx's motion on the ground of untimeliness. The ALJ concluded that the requested amendment "would impose an impossible burden upon the parties to complete their discovery and prepare for hearing." Aunyx never sought review of the denial of its motion to amend.

The ITC's proceedings terminated in an order adverse to Aunyx. Aunyx at first sought review of the ITC's decision in the United States Court of Appeals for the Federal Circuit, but thereafter moved to dismiss its petition for review. Aunyx's motion to dismiss its petition for review of the ITC proceedings was allowed, and the petition was dismissed on August 2, 1988.

Upon completion of the proceedings before the ITC and the dismissal of its review petition before the Federal Circuit, Aunyx reactivated its lawsuit in the district court. On November 22, 1988, Canon

filed a motion for summary judgment. Accompanied by exhibits relating to the ITC proceedings, this motion urged that the ITC proceedings had res judicata effect upon the district court proceedings. On June 6, 1989, District Judge McNaught issued a Memorandum and Order ruling upon the motion for summary judgment. Judge McNaught concluded that Counts 1, 2, 5, 6, 7 and 9 of the Second Amended Complaint had been fully litigated in the ITC case and thus were barred from further consideration by the doctrine of res judicata. As for counts 3 and 4, which asserted claims under state law, Judge McNaught concluded that they were also barred from further consideration by the doctrine of collateral estoppel or issue preclusion. He found, however, that the ALJ's denial of Aunyx's motion to add its related horizontal conspiracy theory set forth in Count 8, and the ALJ's failure to consider the breach of contract claim

presented in Count 10, had deprived Aunyx of the opportunity to fully litigate those claims before the ITC. As a result, he refused to grant summary judgment as to these two counts. The district court entered final judgment on Counts 1 through 7 and Count 9 on August 17, 1989. No appeal to this court has been taken from that judgment.

On June 8, 1990, Canon filed a motion for summary judgment seeking dismissal of all of Count 8 and of Count 10 to the extent it alleged a breach of contract arising form Canon's restrictions on Aunyx's toner purchases. On September 11, 1990, Judge McNaught refused to dismiss Count 8 but allowed the motion for summary judgment in respect to part of Count 10. Due to the anticipated retirement of Judge McNaught, the case was reassigned to Judge Rya W. Zobel on December 5, 1990.

A jury trial on Count 8 began on March 11, 1991, and continued for six days. On March 19, 1991, Judge Zobel directed a verdict in favor of Canon on Count 8 (horizontal conspiracy), concluding that Aunyx did not present evidence from which a jury could infer antitrust injury. Trial on what remained of Count 10 was scheduled to commence on June 10, 1991. On June 4, 1991, the district court ordered the plaintiffs to notify the defendant and the court of their contentions as to the issues remaining to be tried. The plaintiffs did so the following day.

On June 11, 1991, the district court published a "Further Order Concerning Count [10]" stating that nothing remained to be tried and ordering that judgment be entered for Canon on Count 10. Final judgment was entered by the district court on Counts 8 and 10 on June 27, 1991. This appeal followed.

II. DISCUSSION

A. Count 8: Res Judicata

Although the district court did not consider the issue of whether the ITC proceedings had res judicata effect on Count 8 when it granted a directed verdict in Canon's favor, we do so now, mindful that "we need not limit ourselves to the exact grounds for decision utilized below. We are free, on appeal, to affirm a judgment on any independently sufficient ground." Polyplastics, Inc. v. Transconex, Inc., 827 F.2d 859, 860-61 (1st Cir. 1987); see also Medina-Muñoz v. R.J. Reynolds Tobacco Co., 896 F.2d 5, 7 (1st Cir. 1990); Garside v. Osco Drug, Inc., 895 F.2d 46, 49 (1st Cir. 1990).

The doctrine of res judicata bars all parties and their privies from relitigating issues which were raised or could have been raised in a previous action, once a court has entered a final judgment on the merits

in the previous action. United States v. Alky Enterprises, Inc., 969 F.2d 1309, 1314 (1st Cir. 1992). The essential elements of res judicata, or claim preclusion, are (1) a final judgment on the merits in an earlier action; (2) an identity of parties or privies in the two suits; and (3) an identity of the cause of action in both the earlier and later suits. Kale v. Combined Insurance Co. of America, 924 F.2d 1161, 1165 (1st Cir.), cert. denied, 112 S. Ct. 69 (1991).

In Manego v. Orleans Board of Trade, 773 F.2d 1, 5 (1st Cir. 1985), cert. denied, 475 U.S. 1084 (1986), we adopted the "transactional" definition of res judicata of the Restatement (Second) of Judgments § 24 which provides:

> (1) When a valid and final judgment rendered in an action extinguishes the plaintiff's claim pursuant to the rules of

merger or bar . . . , the claim extinguished includes all rights of the plaintiff to remedies against the defendant with respect to all or any part of the transaction, or series of connected transactions, out of which the action arose.

(2) What factual grouping constitutes a "transaction," and what groupings constitute a "series," are to be determined pragmatically, giving weight to such considerations as whether the facts are related in time, space, origin, or motivation, whether they form a convenient trial unit, and whether their treatment as a unit conforms to the parties' expectations or business understanding or usage.

Restatement (Second) of Judgments § 24 (1982). The fact that different legal theories are presented in each case does not mean that the same transaction is not behind each. Manego v. Orleans Board of Trade, 773 F.2d at 6. "[S]o long as different theories of recovery, however prolific, derive from the same cause of action, the requisite identity is achieved if, and to the extent that, all such theories concern 'the same operative nucleus of fact.'" Kale v. Combined Insurance Co. of America, 924 F.2d at 1166.

Normally, decisions of administrative agencies are entitled to res judicata effect when the agency acted in a judicial capacity. University of Tennessee v. Elliott, 478 U.S. 788, 797-798 (1986); United States v. Utah Construction & Mining Co., 384 U.S. 394, 421-422 (1966); McCuin v. Secretary of Health & Human Servs., 817 F.2d 161, 172 (1st Cir. 1987); Restatement

(Second) of Judgments § 83 (1982).[4] The

[4] Section 83 of the Restatement (Second) of Judgments provides:

> Adjudicative Determination by Administrative Tribunal
>
> (1) Except as stated in Subsections (2), (3), and (4), a valid and final adjudicative determination by an administrative tribunal has the same effects under the rules of res judicata, subject to the same exceptions and qualifications, as a judgment of a court.
>
> (2) An adjudicative determination by an administrative tribunal is conclusive under the rules of res judicata only insofar as the proceeding resulting in the determination entailed the essential elements

of adjudication, including:

(a) Adequate notice to persons who are to be bound by the adjudication, as stated in § 2;

(b) The right on behalf of a party to present evidence and legal argument in support of the party's contentions and fair opportunity to rebut evidence and argument by opposing parties;

(c) A formulation of issues of law and fact in terms of the application of rules with respect to specified parties concerning a specific transaction, situation, or status, or a specific

series thereof;

(d) A rule of finality, specifying a point in the proceeding when presentations are terminated and a final decision is rendered; and

(e) Such other procedural elements as may be necessary to constitute the proceeding a sufficient means of conclusively determining the matter in question, having regard for the magnitude and complexity of the matter in question, the urgency with which the matter must be resolved, and the opportunity of the parties to obtain evidence

and formulate legal contentions.

(3) An adjudicative determination of a claim by an administrative tribunal does not preclude relitigation in another tribunal of the same or a related claim based on the same transaction if the scheme of remedies permits assertion of the second claim notwithstanding the adjudication of the first claim.

(4) An adjudicative determination of an issue by an administrative tribunal does not preclude relitigation of that issue in another tribunal if according preclusive effective to determination of the issue would be incompatible

Second Circuit has held that ITC decisions in Section 337 proceedings are entitled to res judicata effect. Union Manufacturing Co. v. Han Baek Trading Co., 763 F.2d 42, 45-46 (2d Cir. 1985).

In this case all three requirements for res judicata have been satisfied.

---

with a legislative policy that:

> (a) The determination of the tribunal adjudicating the issue is not to be accorded conclusive effect in the subsequent proceedings; or
>
> (b) The tribunal in which the issue subsequently arises be free to make an independent determination of the issue in question.

First, Aunyx's failure to appeal from the ITC's order, which decided Aunyx's claim on the merits, rendered it final. The identity of parties requirement was also satisfied, even though ABM was not a party to the ITC proceedings. Aunyx had adequate interest in litigating ABM's interests before the ITC. Moreover, Aunyx explicitly represented to the district court that ABM was its alter ego.[5]

---

[5] In its motion to add ABM as a plaintiff in the district court action against Canon, Aunyx stated:

> The grounds for this motion are that the corporate interrelationship of Aunyx Corporation [Aunyx] and Aunyx Business Machines Corporation [ABM] is such that each may be considered the alter ego of the other in their participation in

As for the requirement of identity of the cause of action, we are satisfied that the claims asserted in the ITC action and in the subsequent action in the district court were sufficiently related to satisfy the transactional analysis variant of the res judicata doctrine. The gist of Aunyx's claim in the district court action was that Canon and its dealers adopted the 1983 agreement to allocate markets for Canon NP Toner. That was the same claim made before the ITC. Both claims were founded upon the same transaction and arose out of the same nucleus of operative fact. They sought redress for essentially the same alleged wrong notwithstanding any differences in remedies sought or theories of recovery pleaded. A second action may be barred

---

marketing of toner in interstate commerce.

under the doctrine of res judicata even though a different legal theory or source of law is involved. See 18 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 4411 at 86-87 (1981).

The record reflects that Aunyx knew enough about the facts of this case to have been able to assert its horizontal conspiracy claim at the outset before the ITC.

> It is immaterial that the plaintiff in the first action sought to prove the acts relied on in the second action and was not permitted to do so because they were not alleged in the complaint and an application to amend the complaint came too late.

Restatement (Second) of Judgments § 25 cmt. b (1982). Thus, we hold that Count 8 is barred, as a matter of law, by res

judicata. Aunyx's action under Count 8 being barred by res judicata, we need not consider the remaining issues related to that count raised by Aunyx.

B. Count 10: Pretrial Dismissal

We turn now to whether Judge Zobel erred in dismissing before trial Aunyx's claim under Count 10. We think not. After a pretrial conference on May 23, 1991, the parties submitted memos to the court regarding the issues remaining to be tried under Count 10. Aunyx identified three issues, two of which were based on an alleged right to purchase NP Toner from Canon. Canon disagreed, and on June 4, 1991, Judge Zobel wrote that the claims under Count 10 which related to an alleged right to purchase NP Toner had been dismissed by Judge McNaught on September 11, 1990, leaving only the issue of the lawfulness of Canon's unilateral termination of the 1979 Agreement. Judge Zobel ordered

Aunyx to again notify the defendant and the court of its contentions as to the issues remaining to be tried with respect to Count 10. Specifically, because Aunyx had already admitted that it had failed to pay Canon $70,000 due under the 1979 Agreement, the judge asked Aunyx to provide some evidence that "plaintiff's failure to pay was attributable to some unlawful conduct of defendant not heretofore tried or resolved." In response, Aunyx again argued that it had contractual rights to purchase NP Toner under an "extended course of dealings," and that the prior grant of summary judgment decided only that Aunyx had no express contractual right to purchase toner under the 1979 Agreement. Judge Zobel rejected this argument and subsequently dismissed what remained of Count 10 because Aunyx failed to offer any evidence to show that Canon unlawfully terminated the 1979 Agreement.

Aunyx's sole argument on appeal is that Judge Zobel misconstrued Judge McNaught's September 11, 1990, grant of partial summary judgment. Because Judge Zobel's pretrial order of June 11, 1991, decided all remaining issues in Canon's favor, we treat the order as a grant of summary judgment. See 3 James Wm. Moore et al., Moore's Federal Practice ¶ 16.21, at 16-113 (2d ed. 1992). Aunyx claims that Judge McNaught never decided whether it had an implied right to buy toner, outside of its rights under the 1979 Agreement. In contrast, Judge Zobel interpreted that ruling as holding that Aunyx had no contractual right, express or implied, to purchase toner from Canon, leaving only the issue of whether Canon's termination of Aunyx's dealership was a breach of the 1979 Agreement.

We find no support for Aunyx's begrudging interpretation of Judge McNaught's

grant of summary judgment. Count 10 in the Second Amended Complaint read:

> Canon has breached the terms of its contract with ABM in that it has applied geographic scope limitations not provided in the contract and has applied quantity limitations of ERMT [toner] not authorized by the contract, both of which contributed to monetary losses by ABM and Aunyx and by placing ABM in a financial condition such that it has reduced ABM's ability to pay for ERMT supplied in limited quantities under the contract. Canon has without cause unilaterally cancelled the contract.

Thus, Count 10 raised two separate claims: (1) Canon breached its contract by limiting ABM's right to buy unlimited quantities of toner and to distribute the toner without

geographic limitation; and (2) Canon breached its contract with Aunyx by terminating Aunyx's dealership. On June 6, 1990, Canon moved for summary judgment on Count 10 "to the extent it asserts a breach of contract arising from the defendant's alleged failure to supply plaintiffs with unlimited quantities of Canon-brand toner for use in Canon NP 210-500 Copiers." Canon argued on the motion that Aunyx had no contract right, either express or implied, to purchase toner from Canon. In response, Aunyx conceded that it had no "express contractual right to purchase any particular quantities of NP Toner from Canon (or, for that matter, to purchase any NP Toner at all from Canon)." Aunyx argued, however, that it had a right to purchase toner from Canon in quantities "not limited by reason of an unlawful combination or conspiracy between Canon and others."

On September 11, 1990, Judge McNaught granted Canon's motion for partial summary judgment as to Count 10. Citing his previous order denying Aunyx's request for a preliminary injunction, he wrote:

> there is "no solid basis for the claim in contract that the plaintiff has the right to purchase supplies to be distributed nationwide. There is nothing in the dealings [between Canon and Aunyx] which allows plaintiff to demand to be treated as a wholesale rather than as a retail dealer of copiers." Nothing presented by way of affidavit, exhibits or memorandum has persuaded me that my earlier decision was incorrect. The 1979 agreement dealt with copiers, not toner. Defendant's argument is

> simply unconvincing that regardless of the absence of an express provision about supplies, the contract embodied the obligation of good faith and fair dealing.

We interpret Judge McNaught's ruling as deciding that Aunyx had no contractual right to purchase toner from Canon arising (a) from the 1979 Agreement, (b) from any obligation of good faith and fair dealing in that agreement, or (c) from the dealings between the parties. No objection was made to Judge McNaught's determination at the time, nor have appellants put forward any argument in the course of this appeal challenging it. Accordingly, we will not review it for error. See Brown v. Trustees of Boston Univ., 891 F.2d 337, 352 (1st Cir. 1989), cert. denied, 495 U.S. 937 (1990) (holding that potential issues not supported by argument in appellant's brief

are deemed abandoned); Zanditon v. Feinstein, 849 F.2d 692, 702 (1st Cir. 1988) (stating that a grant of summary judgment not timely objected to will not be reviewed on appeal); Clauson v. Smith, 823 F.2d 660, 666 (1st Cir. 1987) ("In the absence of extraordinary circumstances, . . . we have regularly declined to consider points which were not seasonably advanced below.").

As Judge McNaught had dismissed all of Aunyx's claims based on a contractual right to purchase toner, supra, the only issue that remained under Count 10 on the eve of the scheduled trial was whether Canon's termination of Aunyx's dealership was, separately, a breach of the 1979 Agreement. Judge Zobel ordered judgment in favor of Canon on Count 10 without a trial on that issue. Despite Judge Zobel's request, Aunyx offered no evidence to create a genuine issue of material fact as to whether Canon's termination of the contract was

lawful. The only justification offered - that Canon had violated antitrust laws - was rendered impotent when Canon won a directed verdict on the antitrust claims. We hold that Canon was entitled to prevail on Count 10 as a matter of law, and that Judge Zobel committed no error in ordering judgment in favor of Canon on Count 10 without a trial.

The judgment of the district court is affirmed. Costs to appellee.

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES
COMPANY,

Plaintiffs,

v. CIVIL ACTION
NO. 86-2083-Mc

CANON, U.S.A.,
INCORPORATED,

Defendant.

MEMORANDUM AND ORDER

June 6, 1989

McNAUGHT, D. J.

This action is before the Court on defendant Canon U.S.A. Inc.'s motion for summary judgment.

Plaintiff, Aunyx Corporation and Aunyx Business Machines Corporation (collectively Aunyx), was an authorized Canon dealer, selling Canon photocopier machines and Canon-brand toner in Eastern Massachusetts from 1976 through July of 1988. Canon makes a NP series of copiers employing a sophisticated toner projection development

system which uses a dry, electrically-resistive monocomponent toner (ERMT). Canon produces the only toner functional in this line of their copiers. In 1982, Aunyx developed a dry toner compatible with the Canon NP copiers. Aunyx claims it was unsuccessful in marketing their ERMT or "dry toner" as Canon attempted to monopolize the sales of such toner through coercion of its dealers and disparagement of Aunyx as a competitor.

On July 15, 1986, Aunyx filed this action and a complaint with the International Trade Commission (ITC) alleging Canon U.S.A., Inc. (Canon) engaged in unfair acts and methods of competition. The ITC initiated an investigation, followed by an eleven-day evidentiary hearing before an administrative law judge (ALJ). The ALJ considered the testimony of forty-three witnesses, over 1,000 exhibits and eighty-four written statements and determined that

Canon had disparaged competing ERMT producers and their products in such a manner as to restrain or monopolize trade and commerce in violation of 19 U.S.C. § 1337. On appeal the ITC reversed the finding of the ALJ concluding that the ALJ had improperly shifted the burden of proof to Canon. The ITC held that had the burden of proof properly been on complainant Aunyx, the evidence was insufficient to establish an effort by Canon to maintain a monopoly.

Aunyx appealed the ITC decision to the United States Court of Appeals for the Federal District, but moved for a voluntary dismissal to pursue their action pending before this Court.

Canon brings this motion for summary judgment asserting that the ITC decision estops Aunyx from relitigating these claims. Canon contends that under settled principles of collateral estoppel and res

judicata the decision of the ITC constitutes adjudication that bars relitigation of claims that were fully resolved or could have been addressed in the ITC proceeding. Union Manufacturing Co., Inc. v. Han Baek Trading Co., Ltd., 763 F.2d 42 (2d Cir. 1985) (holding ITC adjudication has res judicata effect). The Court's review of Aunyx's second amended complaint and the decision of the ALJ reveals that Count I (Monopolization and Attempted Monopolization), Count II (Exclusive Dealing), Count (Interference with Contractual Relations), Count VI (Interference with Business Relations), Count VII (Disparagement), and Count IX (Unlawful Price Discrimination) were all claims fully litigated in the ITC action. Apart from these claims previously resolved by the ITC, Aunyx also pleads Count VIII (Conspiracy in Restraint of Trade), Count X (Breach of Contract), and two additional claims that

Canon has violated Massachusetts trade regulation statutes.

Aunyx opposes the motion for summary judgment claiming there are many disputed issues of material fact. First, Aunyx argues that ABM was not a party to the ITC proceeding, that Aunyx and ABM are distinct entities, and consequently, ABM is not bound by the ITC ruling against Aunyx. Plaintiff also asserts that many issues raised in its second amended complaint were not fully litigated in the ITC forum. Aunyx notes that antitrust cases require cross-examination of witnesses to determine motive and intent. Lacking the ability to examine Canon's witnesses, Aunyx argues that the ITC proceeding did not provide it proper inquiry into these particularly relevant issues. See State of N.C. v. Chas. Pfizer & Co., Inc., 537 F.2d 67, 74 (4th Cir. 1976) (holding FTC hearing not substantially similar to judicial proceeding

as to bar relitigation under theories of res judicata). Aunyx contends that, due to the limited scope and strict 18-month time limitation of the ITC proceeding, its discovery in this action was limited and they are entitled to proceed under the civil rules in this Court.

First, Aunyx's claims regarding discovery restraints are not compelling as the discovery methods available under 19 CFR § 210.30 to § 210.37 and ALJ Mathias' hearing rules provide a full exploration of "information reasonably calculated to lead to the discovery of admissible evidence." Fed. R. Civ. P. 26(b)(1). Further, the parties to this action stipulated that "all of the discovery conducted of the parties in the ITC proceeding would be deemed to constitute discovery in the present action," making any request for additional discovery moot (see Stipulation and Order filed June 30, 1987).

Although the amended counts pursuant to Massachusetts trade regulations obviously were not considered in the ITC proceeding, collateral estoppel or issue preclusion "bars relitigation, even in an action on a different claim, of all 'issues of fact or law that were actually litigated and necessarily decided' in the prior proceeding." Americana Fabrics, Inc. v. L. & L. Textiles, Inc., 754 F.2d 1524, 1529 (9th Cir. 1985), citing Segal v. American Tel. & Tel. Co., 606 F.2d 842, 845 (9th Cir. 1979). As the state antitrust and unfair competition claims are interpreted substantially the same as the federal antitrust laws considered before the ITC, these claims are precluded. See Winter Hill Frozen Foods & Serv. v. Haagen-Dazs, 691 F. Supp. 539, 543 (D. Mass. 1988).

These principles apply likewise to administrative proceedings where the agency "is acting in a judicial capacity and

resolved disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate." United States v. Utah Construction Co., 384 U.S. 394, 421-22 (1966). See also Union Mfg. Co., Inc. v. Han Back Trading Co., Ltd., 763 F.2d 42, 44-46 (2d Cir. 1985) (concluding ITC adjudications of unfair trade practices are entitled res judicata effect). It is important for the Court to determine, however, that the issues raised and procedures available to the parties at the ITC proceeding are basically equivalent to those offered by this Court. See Eisel v. Columbia Packing Company, 181 F. Supp. 298, 301 (D. Mass.) (J. Wyzanski opines that res judicata applies where plaintiff has had a fair opportunity "procedurally, substantively, and evidentially to pursue his claim the first time"). In that regard, Aunyx claims that they were unable to cross-examine witnesses.

Again, the Court does not find the plaintiffs' argument persuasive. According to the ALJ's ground rules for the ITC hearing, all witnesses who presented witness statements were subject to cross-examination. See ITC Investigation No. 337-TA-253, 8/21/86 Order at pp. 5, 10, 12.

Canon asserts that Aunyx is precluded from litigating Counts VIII and X in this forum. The claim pleaded in Count VIII was the subject of a proposed amendment to the complaint and Notice of Investigation at the ITC proceeding. Canon contends that as the ALJ denied introduction of the horizontal conspiracy claims, Aunyx is estopped from pleading such allegations here. The Court disagrees.

Ignoring the substantive arguments of the parties concerning the merit or appropriateness of the claim, the ALJ refused to entertain plaintiffs' additional conspiracy allegation because "the requested amendment

would wreak substantial changes in the scope and direction of this investigation. The amendment would impose an impossible burden upon the parties to complete their discovery and prepare for hearing." See ITC Investigation No. 337-TA-253 ALJ's Order No. 20 (Order Denying Joint Motion to Amend Complaint and Notice of Investigation). This clearly is a case where Aunyx was unable to "fully litigate" a related claim due to the administrative procedure's inability to accommodate an allegation that probably would have been entertained in this forum. Accordingly, summary judgment on plaintiffs' Count VIII, alleging Conspiracy in Restraint of Trade, would be inappropriate.

Count X, alleging breach of contract also, arguably, falls outside the focus of the ITC investigation. The ITC investigated and reviewed Aunyx's complaint regarding unfair methods of competition and

unfair acts in Canon's importation and sale of toner. The Court's review of the ALJ and Commission's Orders, however, does not reveal any significant consideration of the contract issues presently raised by Aunyx. As a result, summary judgment on Count X is denied.

The Court finds that there are material facts in dispute and issues included in defendant's counterclaims that are contingent upon the ultimate soundness of the persevering counts contained in plaintiffs' complaint. Accordingly, judgment on defendant's counterclaims is denied.

\s\JOHN J. McNAUGHT

UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES
CORPORATION,

Plaintiffs,

v. CIVIL ACTION
NO. 86-2083-Mc

CANON, U.S.A.,
INCORPORATED,

Defendant.

**MEMORANDUM AND ORDER
GRANTING DEFENDANT'S MOTION FOR
SUMMARY JUDGMENT IN PART AND
DENYING DEFENDANT'S MOTION IN PART**

September 11, 1990

McNAUGNT, D.J.

Plaintiff Aunyx Corporation (and Aunyx Business Machines Corporation), "Aunyx," was a Canon copier dealer, having entered into a contract on March 1, 1979. By virtue of that agreement, Aunyx served as a nonexclusive authorized dealer of Canon copiers in Plymouth County, Massachusetts.

The agreement addressed the sale of products, not supplies. The principal product involved in this action is Canon NP toner.

Four years later, in May, 1983, Canon distributed new agreements to all Canon NP copier dealers which imposed territorial restrictions on dealers. It was created with the participation of Canon's Dealer Advisory Council, a group of independent Canon dealers who met two or three times a year to discuss issues relating to Canon distributorships. One such issue was "skating," or the selling of products and supplies to end-users outside of a dealer's assigned territory. A letter dated August 3, 1982 to Canon NP-Copier Dealers from Haruo Murase, then Vice President and General Manager of Canon's Copier Division, stated that at the July 15, 1982 meeting of the Council, the members "urged Canon to adopt a new form of Manufacturer/Dealer Agreement to combat these adverse effects

by specifically prohibiting skating, selling to end-users outside of the area of the Dealer's service capability and opening unauthorized branches." Further discussions about this topic ensued among Canon, the Council, and the National Office Machines Dealers Association (NOMDA). According to various documents, the 1983 contract was the culmination of these meetings. Aunyx was the only dealer which refused to sign the new agreement.

Despite that refusal, everything seemed to go along smoothly for Aunyx and Canon until 1985 when Canon sent plaintiff a letter stating that toner would no longer be provided in quantities exceeding the reasonable needs of the Canon NP copiers. Two days later, Aunyx was told that it could purchase only up to 250 cases of toner per month.

Canon ultimately terminated Aunyx's 1979 dealer agreement. At that point,

there was an exchange of letters between plaintiff and defendant, one of which stated Aunyx's intention to order a minimum of 10,000 cases of toner per month. That amount far surpassed any previous toner order submitted by Aunyx.

The matter is before the Court on defendant's summary judgment motion on the remaining two counts of plaintiff's complaint. In Count VIII, Aunyx charges Canon with horizontal conspiracy. Count X is for breach of the March, 1979 contract.

The motion is granted as to Count X. As I said in my July 21, 1988 order denying preliminary injunctive relief to Aunyx, there is "no solid basis for the claim in contract that the plaintiff has the right to purchase supplies to be distributed nationwide. There is nothing in the dealings . . . which allows plaintiff to demand to be treated as a wholesaler rather than as a retail dealer of copiers." Nothing

presented by way of affidavit, exhibits or memorandum has persuaded me that my earlier decision was incorrect. The 1979 agreement dealt with copiers, not toner. Defendant's argument is simply unconvincing that regardless of the absence of an express provision about supplies, the contract embodied the obligation of good faith and fair dealing.

Count VIII is for horizontal conspiracy. Canon initially opposes this claim based on the doctrine of issue preclusion where an Administrative Law Judge in a proceeding brought by Aunyx before the International Trade Commission (ITC) determined that Canon's conduct did not unreasonably restrict trade. I will reiterate my June 6, 1989 order, that plaintiff is not estopped from bringing this claim where the ITC expressly precluded Aunyx from amending its complaint to include horizontal conspiracy.

Plaintiff charges Canon with aiding a conspiracy among Canon dealers to divide the market within the United States for Canon-brand NP 210-500 Toner. There are two facets to plaintiff's claim. First, Aunyx alleges that the conspiracy involved the implementation of the 1983 agreement which restricted dealers to selling within a designated territory. The second part of the conspiracy, according to plaintiff, was the October 1985 policy establishing maximum amounts of NP 210-500 Toner dealers could purchase. Plaintiff claims that the latter policy was created to prevent Aunyx from selling NP 210-500 toner outside its territory.

Section 1 of the Sherman Act does not prohibit independent action; only concerted action is forbidden. Business Electronics Corp. v. Sharp Electronics Corp., 485 U.S. 717 (1988). To survive defendant's motion for summary judgment, Aunyx must "present

evidence 'that tends to exclude the possibility' that the alleged conspirators acted independently." Matsushita Electric Industrial Co., Ltd. v. Spray-Rite Service Corp., 465 U.S. 752, 764 1984).

There is no question that the 1983 dealer agreements were developed with the participation of the Canon Dealers Advisory COuncil. Numerous documents attest to that fact. The real issue is whether Canon's later action restricting Aunyx to 250 cases of NP Toner per month was a unilateral policy developed by Canon or whether, as stated in plaintiff's memorandum of law, the quota was instituted "in furtherance of the original conspiracy."

We know that the territorial restrictions incorporated within the 1983 agreements were imposed with the tacit participation of the Dealers Advisory Council and the National Office Machines Dealers Association. We also know that in Canon's

letter informing plaintiff that 250 cases of Toner NP-210 would be the maximum allowable monthly purchase, Murase stated "it has come to our attention that 'Canon Brand Toner' is being sold by Aunyx outside of its primary sales area and on a national basis, in violation of Canon's well-known established policy."

Murase states that the decision to limit Aunyx to 250 cases of toner per month was made independently, by him, without dealer participation. He says that there is no connection between the development of the 1983 agreements and his decision in 1985 to restrict Aunyx's sales of toner. A horizontal agreement to divide territories, however, is per se illegal. Business Electronics Corp. v. SHarp Electronics Corp., 485 U.S. 717, 735 (1988). Continental T.V., Inc. v. GTE Sylvania Inc., 433 U.S. 36, 58 n. 28 (1977). United States v. Topco Associates, Inc., 405 U.S. 596, 608

(1972). That is precisely what plaintiff claims here.

This Court need not address the matter of whether Canon has committed a per se violation of section 1 of the Sherman Act. There is enough evidence in the record that "tends to exclude the possibility of independent action." Summary judgment, therefore, must be denied on Count VIII.

\s\JOHN J. McNAUGHT
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

CIVIL ACTION NO. 86-2083-Z

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES CORPORATION

vs.

CANON U.S.A., INCORPORATED

MEMORANDUM AND ORDER

ZOBEL, D.J.

Count X of the complaint asserts a claim for breach of contract. The parties disagree about the triable issues remaining under that count. Judge McNaught held on plaintiff's motion for a preliminary injunction that the contract in question, the 1979 Agreement between the parties, "dealt with copiers, not with toner (ink)." He further found "no solid basis for the claim in contract that the plaintiff has the right to purchase supplies to be distributed nationwide." On defendant's

motion for summary judgment, Judge McNaught reiterated his earlier decision: "The 1979 agreement dealt with copiers, not toner." That is the law of the case.

Since the contract did not deal with toner, it cannot have been breached by defendant's insistence on geographic or quantity limitations in the sale of toner. Accordingly, even if plaintiff is correct that Count X alleges three separate breaches, two of them have been ruled out as they pertain only to toner.

There remains the claim for unilateral termination of the contract. Plaintiff acknowledges that defendant had the right to terminate the agreement if plaintiff "became delinquent," and that it had failed to pay some $70,000, which it admittedly owes. Thus, the only possible issue to be tried is whether plaintiff's failure to pay was attributable to some unlawful conduct

of defendant not heretofore tried or otherwise resolved. Plaintiff shall notify defendant and the Court no later than June 5, 1991, of its contentions in that regard.

June 4, 1991

DATE

/s/ Rya W. Zobel

DISTRICT JUDGE

UNITED STATES DISTRICT COURT

DISTRICT OF MASSACHUSETTS

CIVIL ACTION NO. 86-2083-Z

AUNYX CORPORATION and
AUNYX BUSINESS MACHINES CORPORATION

vs.

CANON U.S.A., INCORPORATED

FURTHER ORDER CONCERNING COUNT X

ZOBEL, D.J.

Throughout the litigation, plaintiffs have taken the position that Count X pertains to the 1979 contract only. The Court's decisions throughout the litigation accepted plaintiff's position as to the reach of Count X. Thus, it is also the law of the case that Count X pertains to the 1979 contract only.

Since plaintiffs' memorandum, filed June 5, 1991, does not respond to the Court's Order of June 4, 1991, to detail any "unlawful" conduct of defendant to

justify plaintiffs' failure to pay amounts admittedly owed to defendant, nothing remains to be tried. Accordingly, it is Ordered that judgment be and it is hereby entered for defendant on Count X.

June 11, 1991 _____

DATE /s/ Rya W. Zobel

DISTRICT JUDGE

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

AUNYX CORPORATION and AUNYX BUSINESS MACHINES CORPORATION,	)	
Plaintiffs,	)	
-against-	)	CIVIL ACTION NO. 86-2083-Mc
CANON, U.S.A., INCORPORATED,	)	
Defendant.	)	

FINAL JUDGMENT ON COUNTS VIII AND X OF THE SECOND AMENDED COMPLAINT

WHEREAS, plaintiffs' Complaint As Amended April 13, 1988 ("Second Amended Complaint") set forth ten numbered claims against the defendant; and

WHEREAS, in its Answer to the Second Amended Complaint, the defendant asserted counterclaims against the plaintiffs; and

WHEREAS, on June 6, 1989, the Court granted summary judgment in favor of the

defendant on Counts I through VII, inclusive, and Count IX of the Second Amended Complaint; and

WHEREAS, on July 21, 1989, the Court directed that final judgment be entered in favor of the defendant on Counts I through VII, inclusive, and Count IX of the Second Amended Complaint, pursuant to Fed. R. Civ. P. 54(b), the Court having certified that there was no just reason for delay in entering final judgment on those counts; and

WHEREAS, on August 17, 1989, final judgment was entered in favor of the defendant on Counts I through VII, inclusive, and Count IX of the Second Amended Complaint; and

WHEREAS, on September 11, 1990, the Court granted summary judgment in favor of the defendant on so much of Count X of the Second Amended Complaint as asserted that

the defendant committed a breach of contract by imposing limitations on toner it would sell to plaintiff Aunyx Business Machines Corporation, thereby leaving for resolution in this action (1) Count VIII of the Second Amended Complaint; (2) the remainder of Count X of the Second Amended Complaint, asserting that the defendant committed a breach of contract by unilaterally terminating the copier dealer agreement between the defendant and plaintiff Aunyx Business Machines Corporation; and (3) the defendant's counterclaims against the plaintiffs; and

WHEREAS, on March 11, 1991, Count VIII of the Second Amended Complaint came on for trial before the Court and a jury; and

WHEREAS, on March 19, 1991, the Court, on motion of the defendant, at the close of the evidence offered by the plaintiffs, directed a verdict for the defendant on Count

VIII of the Second Amended Complaint pursuant to Fed. R. Civ. P. 50(a); and

WHEREAS, on May 23, 1991, the Court held a pre-trial conference concerning the scope of the Count X issues remaining for disposition, and directed the parties to submit memoranda with respect thereto; and

WHEREAS, the Court thereafter received and considered memoranda from the parties concerning the scope of the Count X issues remaining for disposition, and whether there was a genuine issue to be tried concerning the remainder of Count X; and

WHEREAS, on June 11, 1991, the Court ordered that judgment be entered in favor of the defendant on Count X of the Second Amended Complaint; and

WHEREAS, none of the plaintiffs' claims remain to be tried; and

WHEREAS, the defendant has agreed to dismiss its counterclaims against the plaintiffs if and when (1) plaintiffs do

not appeal from the final judgment dismissing Counts VIII and X of the Second Amended Complaint or (2) the final judgment dismissing Counts VIII and X is affirmed in its entirety on appeal; and

WHEREAS, the entry of final judgment in favor of the defendant on Counts VIII and X of the Second Amended Complaint may obviate the need for further consideration by the Court and the parties of the defendant's counterclaims, and thereby promote judicial economy; and

WHEREAS, the Court therefore finds that there is no just reason for delay in entering final judgment in favor of the defendant on Counts VIII and X of the Second Amended Complaint; it is

ORDERED AND ADJUDGED, that final judgment is hereby entered in favor of the defendant on Counts VIII and X of the Second Amended Complaint; and it is further

ORDERED AND ADJUDGED, that the defendant recover from the plaintiffs its taxable costs.

June 27, 1991

DATE

/s/ Rya W. Zobel

UNITED STATES DISTRICT JUDGE

UNITED STATES
INTERNATIONAL TRADE COMMISSION
Washington, D. C. 20436

In the Matter of	)	
CERTAIN ELECTRICALLY RESISTIVE MONOCOMPONENT TOWER AND "BLACK POWDER" PREPARATIONS THEREFOR	)	Investigation No. 337-TA-253

COMMISSION ACTION AND ORDER

Action

Having considered the ID, the submissions of the parties, and the record in this investigation, we determine to review and reverse as erroneous the ID's finding that a violation of section 337 has occurred, and to terminate this investigation, based on a finding of no violation of section 337. We further determine to take the following action with respect to the ID:

(1) To review and affirm the ID's conclusion that Canon's warranty provisions

did not violate section 337. We do not review the ID's finding that the warranty provisions were not an unreasonable restraint of trade, nor the implicit finding that the warranties did not constitute exclusionary conduct.

(2) Not to review the ID's findings of no coercion of dealers, although we note that the sale of OE Canada allegedly lost by Aunyx was beyond the scope of the Commission's subject matter jurisdiction, because that alleged lost sale did not concern the importation or sale of an article in the United States.

(3) To review and affirm the ID's finding that there was insufficient evidence to establish any exclusive dealing by Canon that has the effect or tendency to restrain or monopolize trade and commerce in the United States.

(4) To review and modify the ID's legal conclusions with respect to Aunyx's

business tort allegations, although we affirm the ID's conclusion that no violation of section 337 resulted.

(5) Not to review the balance of the ID, which becomes the determination of the Commission.

Order

Accordingly, it is hereby ORDERED that -

1. The ID is reviewed and reversed as to the finding that a violation of section 337 exists.
2. The ID is reviewed and affirmed or reviewed and modified with respect to the issues specified above.
3. The remainder of the ID is not reviewed, and the petitions for review, to the extent they requested review of issues not reviewed, are denied to that extent.

4. The IA's motion for leave for late filing of his brief on remedy, the public interest, and bonding is granted.

5. Aunyx's letter of January 19, 1988 is rejected as untimely.

6. Canon's motion (Motion No. 253-65) to exclude from Aunyx's response to Canon's petition for review matters not contained in the record is granted, but its request to supplement the record is denied.

7. The Secretary shall serve copies of the Commission's opinion and this Commission Action and Order upon each party of record to this investigation and publish notice thereof in the Federal Register.

By order of the Commission.

/s/ Kenneth R. Mason

Secretary

Issued: February 22, 1988

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

AUNYX CORPORATION,

Appellant,

v.

UNITED STATES INTERNATIONAL
TRADE COMMISSION,

Appellee,

CANON, INC. AND CANON U.S.A., INC.,

Intervenors.

ON MOTION

O R D E R

Upon consideration of the unopposed motion of Aunyx Corporation to voluntarily dismiss its appeal,

IT IS ORDERED THAT:

(1) The motion is granted and the appeal is dismissed.

(2) All parties to bear their own costs.

FOR THE COURT

8/2/88 /s/Francis X. Grindhart

Clerk

cc: Harvey M. Applebaum, Esq.

Ralph W. Sullivan, Esq.

Edwin Madaj, Esq.

Stephen A. Rothman, Esq.

ISSUED AS A MANDATE: AUG 3 1988

§ 1337. Unfair practices in import trade

Unfair methods of competition declared unlawful

(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

Investigation of violations by Commission; time limits

(b)(1) The Commission shall investigate any alleged violation of this section

on complaint under oath or upon its initiative. Upon commencing any such investigation, the Commission shall publish notice thereof in the Federal Register. The Commission shall conclude such investigation, and make its determination under this section, at the earliest practicable time, but not later than one year (18 months in more complicated cases) after the date of publication notice of such investigation. The Commission shall publish in the Federal Register its reasons for designating an investigation as a more complicated investigation. For purposes of the one-year and 18-month periods prescribed by this subsection, there shall be excluded any period of time during which such investigation is suspended because of proceedings in a court or agency of the United Stats involving similar questions concerning the subject matter of such investigation.

(2) During the course of each investigation under this section, Commission shall consult with, and seek advice and information from, the Department of Health, Education, and Welfare, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

(3) Whenever, in the course of an investigation under this section, the Commission has reason to believe, based on information before it, that a matter, in whole or in part, may come within the purview of section 1303 of this title or of part II of subtitle IV of this chapter, it shall promptly notify the Secretary of the Treasury so that such action may be taken as is otherwise authorized by such section and such Act. If the Commission has reason to believe the matter before it is based solely on alleged acts and effects which are within the purview of section 1303,

1671, or 1673 of this title, it shall terminate, or not institute, any investigation the matter. If the Commission has reason to believe the matter before it is based in part on alleged acts and effects which are within the purview of section 1303, 1671, or 1673 of this title, and in part on alleged acts and effects which may, independently from or in conjunction with those within the purview of such section, establish a basis for relief under this section, then it may institute or continue an investigation into the matter. If the Commission notifies the Secretary or the administering authority (as defined in section 1677(1) of this title) with respect to a matter under this paragraph, the Commission may suspend its investigation during the time the matter is before the Secretary or administering authority for final decision. For purposes of computing the 1-year or

18-month periods prescribed by this subsection, there shall be excluded such period of suspension. Any final decision of the Secretary under section 1303 of this title or by the administering authority under section 1671 or 1673 of this title with respect to the matter within such section 1303, 1671, or 1673 of this title of which the Commission has notified the Secretary or administering authority shall be conclusive upon the Commission with respect to the issue of less-than-fair-value sales or subsidization and the matters necessary for such decision.

Determinations; review

(c) The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a

hearing in conformity with the provisions of subchapter II of chapter 5 of Title 5. All legal and equitable defenses may be presented in all cases. Any person adversely by a final determination of the Commission under subsection (3), or (f) of this section may appeal such determination within 60 days after the determination becomes final to the United States Court of Appeals for the Federal Circuit. Such court shall have jurisdiction to review such determination in the same manner and subject to the same limitations and conditions as in the case of appeals from decisions of the United States Customs Court.

Exclusion of articles from entry

(d) If the Commission determines, as a result of an investigation this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from

entry into the United States, unless, after considering the effect of such exclusion on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

Exclusion of articles from entry during investigation except under bond

(e) If, during the course of an investigation under this section, the Commission determines that there is reason to believe that there is a violation of this section, it may direct that the articles

concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to enter under bond determined by the Commission and prescribed by the Secretary.

Cease and desist orders;

civil penalty for violation of orders

(f)(1) In lieu of taking action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such persons to cease and desist from engaging in the unfair methods or acts involved, after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like and directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commissioner may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under

subsection (d) or (e) of this section, as the case may be.

(2) Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of $10,000 or the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and may be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem

appropriate the enforcement of such final orders of the Commission.

Referral to President

(g)(1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e) of this section, there is reason to believe that there is such a violation, it shall -

(A) publish such determination in the Federal Register, and

(B) transmit to the President a copy of such determination and the action taken under subsection (d), (e), or (f) of this section, with respect thereto, together with the record upon which such determination is based.

(2) If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval,

then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), or (f) of this section with respect thereto shall have no force or effect.

(3) Subject to the provisions of paragraph (2), such determination shall, except for purposes of subsection (c) of this section, be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), or (f) of this section with respect thereto shall be effective as provided in such subsections, that articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary until such determination becomes final.

(4) If the President does not disapprove such determination within such 60-day period, or if he notifies the Commission before the close of such period that he approves such determination, then, for purposes of paragraph (3) and subsection (c) of this section such determination shall become final on the day after the close of such period or the day on which the President notifies the Commission of his approval, as the case may be.

Period of effectiveness

(h) Except as provided in subsections (f) and (g) of this section, any exclusion from entry or order under this section shall continue in effect until the Commission finds, and in the case of exclusion from entry notifies the Secretary of the Treasury, that the conditions which led to such exclusion from entry or order no longer exist.

Importation by or for United States

(i) Any exclusion from entry or order under subsection (d), (e), or (f) of this section, in cases based on claims of United States letters patent, shall not apply to any articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government. Whenever any article would have been excluded from entry or would not have been entered pursuant to the provisions of such subsections but for the operation of this subsection, a patent owner adversely affected shall be entitled to reasonable and entire compensation in an action before the United States Claims Court pursuant to the procedures of Section 1498 of Title 28.

Definition of United States

(j) For purposes of this section and sections 1338 and 1340 of this title, the

term "United States" means the customs territory of the United States as defined in general headnote 2 of the Tariff Schedules of the United States.